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Morningstar: Indiana's 529 plan is best-in-class

College savings plan makes Morningstar best-in-class list

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Indiana's 529 direct-sold college savings plan has made the honor roll, ranking as one of the nation's five best for investors by investment research company Morningstar.

It's the first time an Indiana 529 plan has cracked Morningstar's best-in-class list. It comes after State Treasurer Richard Mourdock overhauled the plan last year, choosing a new administrator and lowering fees to investors.

"Absolutely thrilled," was Mourdock's reaction Thursday after the ratings came out. "Morningstar's ranking validated that we met our goal."

So-called 529 plans are state-sponsored and geared to parents or grandparents, allowing them to set money aside in tax-favored investments to pay for college for children or grandchildren.

Indiana's CollegeChoice 529 Direct Savings Plan got high marks in 2008 for its range of fund offerings, reasonable fees and 20 percent tax credit on contributions up to \$1,000 a year.

"This plan keeps it simple, but it gets kudos in a number of areas," Morningstar said in its report.

Mourdock said he spent 14 months overhauling the 529 program, replacing previous administrator J.P. Morgan with Upromise Investments.

While J.P. Morgan focused on using advisers to sell the plan to wealthier investors seeking tax credits, the direct-sold plan by Upromise bypasses brokers and advisers. It appeals more to lower-income investors who simply want good investments for college savings, Mourdock said.

The number of enrollees in the Indiana direct-sold plan has jumped 28 percent, to 43,595, since the changes were made in September. Investments total about \$237 million. Upromise also administers an Indiana 529 plan sold through advisers.

Several plans rated highly by Morningstar in the past didn't fare well in this year's rankings because they suffered losses from bond-fund blowups, overly aggressive allocations or not moving quickly enough out of equity investments in the stock market collapse of last year.

The Morningstar report can be viewed online at www.morningstar.com.